



11 FISCAL/EQUIPMENT MANAGEMENT

Effective: 3/1/98

11.9 Real Property Purchase and Renovations

Revised: 11/1/99

POLICY: Purchase of and/or renovations to real property which cost more than \$5,000 require written approval from USDA, FNS.

BACKGROUND: FNS Instruction 813-1 provides guidance for assessing requests from State agencies to purchase, renovate or repair real property with WIC Program funds. This policy applies to whether local WIC funds are used, or whether the local agency is requesting additional State funds.

PROCEDURE:

A. DEFINITIONS

1. *Real Property* is defines as “land and whatever is erected on or affixed to the land (i.e., buildings). Real property is distinguished from personal property in that it cannot be removed at will.”
2. *Renovations* are rearrangements, alterations and restorations of real property to make it suitable for program use. Renovations to make building space suitable specifically for the WIC Program, using WIC funds, require prior approval.

B. COSTS UNDER \$5,000

1. Costs of \$1,000- \$5,000 per the WIC Program’s share of a single purchase or renovation project are allowed with prior State WIC Office approval
2. Costs per project under \$1,000 are allowed without prior state approval

C. COSTS OVER \$5,000

Costs over \$5,000 to the WIC Program must have written prior approval from USDA via the State WIC Office

1. Purchase of real property should be discussed with the State WIC Director before submitting a request. Guidance for the request will be provided at that time.
2. Renovations: Renovations are almost always preferred to outright purchases of buildings.
 - a) As part of the approval process, the local agency should secure an agreement with the property owners, whether public or private, that ensures the WIC Program receives a fair return on its investment.



- b) State/Local Government Property: In cases where the property is owned by a State or local government, the local agency should agree that in the event that the WIC Program vacates the facility that was renovated or repaired with WIC funds that it will pay, from non-Federal monies, the State WIC Program the non-depreciated value of the renovation paid for with WIC Program funds.
 - c) Rental Property: Making capital improvements to rental property is the least desirable remedy for insufficient space. The local agency must demonstrate that no reasonable alternative is available. The local agency shall take the following safeguards into the transaction to protect its investment. Examples include:
 - (1) Amending the lease agreement to provide for extending the lease until the WIC Program has received full benefit from the renovation. Full benefit may be defined as reasonable depreciation of the cost.
 - (2) Amending the lease agreement to provide for a refund to the local agency of a dollar amount representing the portion of the renovation cost from which the local agency has as yet received no benefit.
3. Requests to renovate property must be made in writing to the State WIC Office, Fiscal Specialist. The following issues must be addressed:
- a) Determining the Absence of Other Options
 - (1) Has the local agency documented that the landlord will not renovate or repair the building as part of the rental agreement?
 - (2) Has the local agency provided evidence that there is insufficient local money available to fund the cost of the proposed renovation or repair (if requesting additional State WIC funding).
 - (3) Has the local agency obtained at least three estimates in the process of determining the projected cost of the proposed renovation or repair? Has the local agency examined the availability and cost of alternative sites that do not require renovation in the preparation of its request to renovate or repair a particular site?
 - (4) How does the projected cost of renovation or repair compare to the cost of alternative rental space in the proposed area?
 - b) Determining the Acceptability of a Site
 - (1) Is the site centrally located in the area which it is intended to serve?
 - (2) Is the site located in proximity to a hospital and/or local health agency? To public transportation?



- (3) Is the site large enough to house adequate staff and equipment to accommodate the numbers of participants it is anticipated to serve?
- (4) Does the site provide easy access for pregnant women, children, and handicapped persons?
- (5) Can the site handle the program's automation needs (e.g. telephone lines, electrical outlets, and security?) Are the costs of any such upgrades included in the renovation costs?
- (6) Has a recent Monitoring Visit identified the inadequacy of the site being proposed for renovation?
- (7) Is the proposed renovation to address unsafe clinic conditions?

c) Determining WIC's Fair Share of Costs

- (1) What programs or offices will be located in the area of the building to be renovated or repaired?
- (2) What methodology is being used to calculate each party's fair share of the projected renovation or repair cost? Does the methodology assign to WIC a portion of the cost reasonably commensurate with the benefit WIC receives from use of the space?

d) Conditions for Final Approval

- (1) Requests for current fiscal year funds must be submitted to the State WIC Office Fiscal Specialist by June 15 of the fiscal year. The State WIC Office must forward the request to USDA by July 1.
- (2) If the property is publicly owned, has the local agency agreed that in the event that the WIC Program vacates the facility that it will pay, from local monies, the State WIC Program the non-depreciated value of the renovation paid for with WIC funds?
- (3) If the property is privately owned, has the landlord agreed to extend the lease until the WIC Program has received full benefit from the renovation, or amended the lease agreement to provide for a refund to the local agency of the dollar amount representing the portion of the renovation cost from which the local agency has as yet received no benefit?